

FONDATION LA CLÉ
FINANCIAL STATEMENTS
JUNE 30, 2023

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JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Fondation La Clé

Qualified opinion

We have audited the financial statements of Fondation La Clé (the "Foundation"), which comprise the statement of financial position as at June 30, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and the supplementary notes, including the summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2023 and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for qualified opinion

As with many charities, the Foundation derives income from donations, the completeness of which cannot be satisfactorily verified. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were unable to determine whether any adjustments might be necessary to donations revenue, excess of revenues over expenditures and cash flows from operations for the year ended June 30, 2023, current assets as at June 30, 2023, and net assets as at July 1, 2022, and June 30, 2023. We have therefore expressed a qualified opinion on the financial statements for the year ended June 30, 2023, due to the potential impact of this limitation.

We conducted our audit in accordance with the generally accepted auditing standards in Canada. Our responsibilities under these standards are described in more detail in the “Auditor’s Responsibilities in the Audit of the Financial Statements” section of this report. We are independent of the Foundation and we comply with the rules of professional conduct applicable to the audit of financial statements in Canada, and have fulfilled our other ethical responsibilities under those rules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other information

Other information is the responsibility of management. The other information consists of the information contained in the annual report, but does not include the financial statements and our auditor’s report on these statements.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

Our responsibility with regard to our audit of the financial statements is to read the other information and, in doing so, to assess whether there is any material inconsistency between it and the financial statements or our knowledge obtained in the course of the audit, or whether the other information appears to contain a material misstatement. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for the internal controls which management determines are necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, it is management's responsibility to assess the Foundation’s ability to continue as a going concern, to disclose any going concern issues and to apply the going concern principle of accounting, unless management intends to liquidate the Foundation or cease operations, or if there is no realistic alternative.

The individuals charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's responsibilities in the audit of the financial statements

Our objectives are to obtain reasonable assurance that the financial statements taken as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report containing our opinion. Reasonable assurance represents a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that of a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw the attention of those reading our report to the related disclosures in the financial statements about that uncertainty or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on evidence obtained up to the date of our report. Future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair representation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Gareau, Rinfret CPA Inc.¹

Longueuil, Quebec
September 20, 2023

¹By CPA auditor, public accountancy permit no. A125715

FONDATION LA CLÉ
RESULTS
YEAR ENDED JUNE 30, 2023

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	2023	2022
Income		
Income – unrestricted (Appendix A)	\$ 683,377	\$ 658,900
OMHM donations (Note 10)	35,000	34,781
Income from investments (Appendix B)	21,560	3,035
	<hr/> 739,937	<hr/> 696,716
Expenditures		
Scholarships and financial aid	196,461	142,527
Wages and benefits	141,799	129,432
Public relations expenses	38,014	49,811
Professional fees	8,481	4,085
Office supplies	3,791	4,917
Administrative expenses	1,350	2,835
Amortization of intangible assets	2,895	2,895
Insurance	2,143	2,403
Telecommunications	1,683	1,020
Credit card fees	874	1,438
Taxes and permits	37	55
Professional fees related to the major fundraising campaign	-	52,844
Professional fees - human resources	-	25,250
Training	-	3,417
Expenses associated with other activities	-	1,173
	<hr/> 397,528	<hr/> 424,102
Excess of revenues over expenditures	<hr/> \$ 342,409	<hr/> \$ 272,614

The supplementary notes and supplementary information are an integral part of the financial statements.

FONDATION LA CLÉ
CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2023

	Net assets invested in intangible assets	Restricted net assets	Unrestricted net assets	2023 Total	2022 Total
Balance at beginning of year	\$ 8,681	\$ 64,335	\$ 479,868	\$ 552,884	\$ 280,270
Excess of revenue over expenditures	(2,895)	-	345,304	342,409	\$ 272,614
Internal restrictions (Note 9)	-	825,577	(825,577)	-	-
Balance at end of year	\$ 5,786	\$ 889,912	\$ (405)	\$ 895,293	\$ 552,884

The supplementary notes are an integral part of the financial statements.

**FONDATION LA CLÉ
BALANCE SHEET
AS AT JUNE 30, 2023**


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	2023	2022
Assets		
Current assets		
Cash	\$ 14,012	\$ 420,201
Restricted cash (Note 9)	251,349	30,390
Accounts receivable (Note 3)	6,999	62,549
Prepaid expenses	4,795	3,200
	277,155	516,340
Restricted cash (Note 9)	638,563	33,945
Investments (Note 5)	66,055	64,397
Intangible assets (Note 6)	5,786	8,681
	710,404	107,023
	\$ 987,559	\$ 623,363
Liabilities		
Current liabilities		
Accounts payable (Note 7)	\$ 44,287	\$ 55,479
Deferred contributions (Note 8)	47,979	15,000
	92,266	70,479
Net assets		
Net assets allocated to intangible assets	5,786	8,681
Restricted net assets (Note 9)	\$ 889,912	64,335
Unrestricted net assets	(405)	479,868
	\$ 895,293	552,884
	\$ 987,559	\$ 623,363

The supplementary notes are an integral part of the financial statement:

Contractual commitments (Note 11)

For the Board of Directors,

 , Director

 , Director

FONDATION LA CLÉ
CASH FLOWS
YEAR ENDED JUNE 30, 2023

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	2023	2022
Operations		
Excess of income over expenses	\$ 342,409	\$ 272,614
Non-cash items:		
Unrealized gains (losses) on investments	214	(161)
Reinvested dividend income	(1,872)	(171)
Amortization of intangible assets	2,895	2,895
	343,646	275,177
Net change in non-cash items related to operations:		
Accounts receivable	55,550	(33,193)
Restricted cash	(250,959)	(26,445)
Prepaid expenses	(1,595)	(375)
Accounts payable	(11,192)	33,351
Deferred contributions	32,979	(60,000)
	(175,217)	(86,662)
Cash flows related to operations	168,429	188,515
Investment		
Acquisition of intangible assets	-	(3,676)
Decrease (increase) in restricted cash	(574,618)	18,945
Cash flows related to investments	(574,618)	15,269
(Decrease) increase in cash and cash equivalents	(406,189)	203,784
Cash and cash equivalents at beginning of year	420,201	216,417
Cash and cash equivalents at end of year	\$ 14,012	\$ 420,201

Cash and cash equivalents consist of cash on hand.

The supplementary notes are an integral part of these financial statements.

1. Purpose and legal form of the Foundation

Fondation La Clé (“the Foundation”) was incorporated as a non-profit organization under Part III of the *Companies Act* (Quebec) on March 7, 2007, and is a charitable organization within the meaning of the *Income Tax Act*.

The Foundation’s mission is to help young people living in the Office municipal d’habitation de Montréal’s low-cost housing to stay in school and reach their full potential. It encourages these young people to stay in school, build self-esteem and develop a sense of initiative.

2. Significant accounting policies

The Foundation follows the Canadian accounting standards for not-for-profit organizations.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported as assets and liabilities and the amounts recognized as income and expenditures during the relevant reporting periods. Actual results may differ from these estimates. The main estimates relate to the impairment of financial assets and the useful life of amortizable intangible assets.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as a direct increase in net assets.

Investment transactions are recognized on the transaction date and the resulting income is recorded using the accrual method accounting.

Interest income is recognized on a time apportionment basis whereas dividend income is recognized when it is declared. Gains on investments are recognized when they occur.

Accounting for pledges

As the receipt of pledged amounts is uncertain, the Foundation recognizes as pledges only those amounts actually received at the date of completion of the financial statements.

2. Significant accounting policies (continued)

Contributions received in the form of services

The Office municipal d'habitation de Montréal ("OMHM") provides the Foundation with support from its General Management, General Secretariat and Finance Department in the form of administration, as well as advice from the Social and Community Development Department, and collaboration from the Communications Department along with the voluntary participation of OMHM employees. Because of the difficulty in determining the fair value of the contributions received in the form of services, they are not recognized in the financial statements. In addition, the Foundation operates in premises provided to it free of charge by the OMHM. It does not recognize this service contribution in its financial statements.

Intangible assets

Intangible assets are recorded at cost. They are amortized according to the straight-line method over the periods indicated below:

	Method	Period
Website	Straight-line amortization	4 years

Translation of transactions and items denominated in foreign currencies

The Foundation uses the temporal method to translate its foreign currency transactions.

Monetary assets and liabilities are translated at the exchange rate on the closing date. Other assets and liabilities are translated at the exchange rate prevailing on the transaction date. Income and expenditures are translated at the exchange rate in effect on the transaction date. Exchange gains and losses are included in results for the fiscal year.

Cash and cash equivalents

It is the Foundation's policy to report bank balances and term deposits with maturities of three months or less from the date of acquisition as cash and cash equivalents.

Financial instruments

Initial assessment

The Foundation initially measures its financial assets and liabilities created or exchanged in arm's length transactions at fair value. Financial assets and liabilities created or exchanged in related-party transactions, except for parties who have no relationship with the Foundation other than in their capacity as members of management, are initially measured at cost.

2. Significant accounting policies (continued)

Financial instruments (continued)

Subsequent assessment

The Foundation subsequently values all of its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments listed on an active market, which are measured at fair value. Changes in the fair value of these financial instruments are recognized in the financial results for the period in which they occur.

Financial assets measured at amortized cost on a straight-line basis consist of the cash balance, restricted cash balance and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis consist of accounts payable and accrued liabilities.

Financial assets measured at fair value consist of shares of publicly traded companies and mutual funds and equivalents.

3. Accounts receivable

	2023	2022
Donations receivable	\$ 1,653	\$ -
Accrued interest receivable	2,725	-
Énergir grant receivable	-	58,350
Sales taxes receivable	2,621	4,199
	\$ 6,999	\$ 62,549

4. Pledges

As part of its major fundraising campaign, the Foundation has received pledges totalling \$2,147,541 as at June 30, 2023 (\$1,747,000 as at June 30, 2022). In accordance with the Foundation's policy, disclosed in note 2, only an amount of \$624,320 (\$382,500 as at June 30, 2022) (\$68,000 as at June 30, 2021) has been recognized as revenue in the fiscal year. In future years, the organization expects to receive the following amounts: \$375,929 in 2024, \$364,179 in 2025, \$223,631 in 2026, \$103,982 in 2027 and \$5,000 in 2028.

5. Investments

	2023	2022
Shares of publicly traded companies, measured at fair value (cost of \$4,782)	\$ 4,530	\$ 4,745
Mutual funds and equivalents, measured at fair value (cost of \$59,480)	61,525	59,652
	<u>\$ 66,055</u>	<u>\$ 64,397</u>

6. Intangible assets

	2023		2022	
	Cost	Accumulated amortization	Net value	Net value
Website	\$ 11,576	\$ 5,790	\$ 5,786	\$ 8,681

7. Accounts payable

	2023	2022
Accounts payable	\$ 32,498	\$ 5,157
Accrued expenses payable	11,789	50,322
	<u>\$ 44,287</u>	<u>\$ 55,479</u>

8. Deferred contributions

	2023	2022
Deferred contributions are broken down as follows:		
Office municipal d'habitation de Montréal	\$ 15,000	\$ 15,000
Scotiabank	32,979	-
	<u>\$ 47,979</u>	<u>\$ 15,000</u>

	2023	2022
Balance at beginning of year	\$ 15,000	\$ 75,000
plus: amount received for subsequent years	47,979	15,000
	62,979	90,000
minus: amount recognized as revenue for the year	(15,000)	(75,000)
Balance at end of year	<u>\$ 47,979</u>	<u>\$ 15,000</u>

9. Restricted net assets

The Foundation's Board of Directors has resolved to restrict the amounts to be disbursed in accordance with agreements with its partners. The Foundation may not use these internally restricted amounts for any other purpose without the prior consent of the Board of Directors.

As at June 30, 2023, the Foundation had restricted \$895,439 (\$46,835 in 2022) of its funds to programs associated with its various partners. Accordingly, as at June 30, 2023, the balance of internally restricted net assets under an agreement with Educaid was \$67,035 (\$34,335 in 2022), that under the agreement with the Fondation du Collège de Montréal was \$35,000 (\$30,000 in 2022), that under an agreement with Videotron was \$622,877 (nil in 2022) and that under agreements with community organizations was \$165,000 (nil in 2022), for a total of \$889,912 (\$64,335 in 2022).

Short-term cash of \$251,349 (\$30,390 in 2022) and long-term cash of \$638,563 (\$33,945 in 2022) for a total of \$889,912 (\$64,335 in 2022) have been restricted for these purposes. An expenditure of \$69,862 (\$39,335 in 2022) was recorded in the Foundation's result under these agreements, and is included under Scholarships and financial aid.

9. Restricted net assets (continued)

	2023	2022
Details of restricted net assets		
Educaid	\$ 67,035	\$ 34,335
Collège de Montréal	35,000	30,000
Videotron - digital divide	622,877	-
Community organizations	165,000	-
	<hr/>	
	\$ 889,912	\$ 64,335
	<hr/>	

10. Transactions with the OMHM

The OMHM Board of Directors approved a resolution of support for the Foundation. Under the resolution, annual expenses including communication expenses and professional fees up to a maximum of \$15,000 are assumed by the OMHM's community and social development reserves. This amount is authorized until December 31, 2023. As at June 30, 2023, expenses of \$15,000 (\$14,781 in 2022) had been assumed by the OMHM.

The OMHM Board of Directors approved a resolution of support for the Foundation. Under the resolution, half (50%) of the annual human resources and management expenses incurred by the Foundation up to a maximum of \$20,000 are assumed by the OMHM. This amount is authorized until December 31, 2023. As at June 30, 2023, expenses of \$20,000 (\$20,000 in 2022) had been assumed by the OMHM.

11. Contractual commitments

The Foundation's undertakings under agreements with partners total \$889,912 and the payments to be made over the next five years are as follows:

2024	\$ 251,349
2025	201,188
2026	157,283
2027	159,291
2028	120,801
	<hr/>
	\$ 889,912
	<hr/>

12. Financial instruments

Financial risks

The significant risks associated with financial instruments to which the Foundation is exposed as at June 30, 2023, are set out below.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulties in meeting obligations associated with its financial liabilities. The Foundation is exposed to this risk primarily with its accounts payable and accrued liabilities.

Credit risk

Credit risk is the risk that a party to a financial asset will default on one of its obligations, thereby causing the Foundation to incur a financial loss. The Foundation's credit risk is mainly related to accounts receivable.

For grants receivable, the Foundation assesses the amounts receivable on an ongoing basis, based on the amounts it is virtually certain to receive and their estimated realizable value.

For pledges, the Foundation recognizes at year-end only those amounts that have been received at the date of completion of the financial statements.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of variations in foreign exchange rates.

The Foundation makes sales and purchases in foreign currencies. As a result, certain assets and liabilities are exposed to currency fluctuations. As at June 30, 2023, assets and liabilities denominated in foreign currencies and translated into Canadian dollars are as follows:

	2023	2022
Cash balance (in US currency)	\$ 39,279	\$ 39,279

12. Financial instruments (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Foundation is exposed to interest rate risk with respect to both its fixed-rate and variable-rate financial instruments. Fixed-rate instruments subject the Foundation to fair value risk, since fair value varies inversely with changes in market interest rates. Variable-rate instruments subject the Foundation to fluctuations in the related future cash flows.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the instrument itself or its issuer, or by factors affecting all similar financial instruments traded on the market. The Foundation is mainly exposed to other price risk with its investments in publicly traded stocks, the value of which fluctuates with the stock market.

13. Comparative figures

Certain figures for the 2022 fiscal year have been reclassified to conform to the presentation adopted for 2023.

	2023	2022
Appendix A - Income - unrestricted		
Major campaign donations	\$ 591 341	\$ 382 500
Énergir grant	52,860	128,790
OMHM employee donations	22,621	12,060
Charity challenge donations	7,766	14,647
Donations from individuals	5,402	31,198
Corporate donations	3,387	89,705
	<hr/>	<hr/>
	\$ 683,377	\$ 658,900

Appendix B - Income from investments

Interest income	\$ 18,191	\$ 610
Dividend income	2,152	438
Unrealized foreign exchange gains	1,432	1,826
Unrealized gains (losses) on investments	(215)	161
	<hr/>	<hr/>
	\$ 21,560	\$ 3,035









Fondation La Clé - Financial statements - FINAL

Final Audit Report

2023-09-20

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